

## Message Text

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12

ACTION EB-11

INFO OCT-01 EUR-25 NEA-10 ADP-00 CAB-09 CIAE-00 COME-00

DODE-00 INR-10 NSAE-00 RSC-01 FAA-00 L-03 XMB-07

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R 160757Z JUL 73

FM AMEMBASSY BEIRUT

TO SECSTATE WASHDC 3209

INFO FAA BRUSSELS

AMEMBASSY TEHRAN

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E.O. 11652: N/A

TAGS: ETRN, LE

SUBJECT: CIVAIR - TWA REEQUIPMENT AND LINES OF DEVELOPMENT

DEPARTMENT PASS COMMERCE AND EXIMBANK

REF: BEIRUT 3598; BEIRUT 0870; PARIS 15430

SUMMARY: RCAA AND EMBASSY ECONOMIC COUNSELOR MET JULY 11 WITH MUNIR ABU-HAIDAR, TMA CHAIRMAN. DISCUSSIONS RELATED TO (A) PRESENT STATUS OF FLEET; (B) FUTURE FLEET PLANNING; (C) POSSIBLE FINANCING FOR NEW AIRCRAFT ACQUISITION; (D) FORECAST PROFITS FOR 1973.

1. TMA PRESENTLY OPERATES A FLEET OF FIVE BOEING 707-327C CARGO AIRCRAFT, TWO OF WHICH ARE OPERATED UNDER LEBANESE REGISTRY AND OWNED BY TMA. THE OTHER THREE ARE LEASED/PURCHASED FROM BRANIFF, AND ARE CARRIED ON US REGISTRY. THE AIRLINE ALSO OPERATES THREE MCDONNELL DOUGLAS DC-6A/B'S, ONE OF WHICH WILL BE RETIRED AND SOLD IN SEPTEMBER OR DECEMBER. TMA IS ALSO TAKING DELIVERY OF TWO ADDITIONAL BOEING ALL-CARGO AIRCRAFT ON SEPTEMBER 1, ONE OF WHICH IS A 707-323C PURCHASED FROM AMERICAN AIRLINES

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AND THE OTHER A BOEING 707-327C LEASE/PURCHASED FROM

BRANIFF.

2. R. DIXON SPEAS, MANHASSETT-BASED AVIATION CONSULTANT, IS PRESENTLY INVOLVED IN EXECUTING A FLEET PLAN STUDY COVERING TMA'S FUTURE AIRCRAFT NEEDS THROUGH YEAR 1980. THIS STUDY, DUE FOR COMPLETION BY SEPTEMBER 1, MAY RECOMMEND ACQUISITION OF EIGHT WIDEBODIED AIRCRAFT 1974 THROUGH 1980. ABU-HAIDAR ANTICIPATES THAT, UPON COMPLETION OF THE STUDY, AND FURTHER STUDIES NOW BEING EXECUTED BY THE BOEING COMPANY AND THE DOUGLAS AIRCRAFT COMPANY, TMA MAY, LATE THIS YEAR, ORDER INITIAL INCREMENTS (ONE OR TWO) OF EITHER THE BOEING 747-200F/300F/400F OR THE MCDONNELL DOUGLAS DC-10-30/40AF. INITIAL DELIVERY WOULD PROBABLY BE DECEMBER 1974 (TO AVOID YEAR-END PRICE INCREASES NORMALLY IMPOSED BY BOEING AND MCDONNELL DOUGLAS) AND DEPLOYMENT ON SCHEDULED SERVICES EARLY SPRING 1975.

3. WITH REGARD TO TMA'S CONSIDERATION OF A BOEING PROPOSAL (SEE REFTEL PARIS 15430) TO RECONFIGURE TMA'S BOEING FLEET TO A 707-500 CONFIGURATION INVOLVING A 200 INCH FUSELAGE STRETCH, R. DIXON SPEAS HAS RECOMMENDED AND TMA HAS ACCEPTED REJECTION OF THIS PLAN WHICH WOULD HAVE INVOLVED MODIFICATION COSTS OF \$3 MILLION PER AIRCRAFT. REASON FOR REJECTION; ACCORDING ABU-HAIDAR, IS PAYLOAD PENALTY OF 9,000 POUNDS ON TMA'S LONGER WESTBOUND SECTORS SUCH AS STOCKHOLM-NEW YORK AND ANCHORAGE-TOKYO, DUE TO INCREASED EMPTY WEIGHT OF THE FUSELAGE-STRETCHED 707-500 AS COMPARED TO THE BASIC 707-320C.

4. ABU-HAIDAR IS FAIRLY CONFIDENT THAT HE CAN SUSTAIN FUTURE EQUIPMENT ACQUISITIONS TO MEET TMA'S REQUIREMENTS FROM NORMAL BANKING SOURCES WITHOUT INVOLVING EXPORT-IMPORT BANK AND BACKUP GOL GUARANTEES. HE INDICATES THAT HIS PRESENT BOEING FLEET HAS BEEN FINANCED BY NORMAL COMMERCIAL BANKING SOURCES WITH 10 PERCENT DOWNPAYMENT REQUIREMENTS REGARDING FUTURE FINANCING OF WIDEBODIED AIRCRAFT, ABU-HAIDAR BELIEVES HE MAY BE CONFRONTED WITH DOWNPAYMENT REQUIREMENT OF UP TO 30 PERCENT, WHICH HE BELIEVES HE CAN HANDLE. HE SURFACED AN OFFER BY FIRST NATIONAL BANK OF CHICAGO'S LONDON SUBSIDIARY TO EXPAND TMA'S EQUITY LIMITED OFFICIAL USE

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POSITION (AS OF MAY 31, TMA'S EQUITY POSITION IS 37.25 MILLION LEBANESE POUNDS OF LL 6 MILLION CAPITAL STOCK, LL 2 MILLION STATUTORY RESERVES AND LL 29.25 MILLION RETAINED EARNINGS) BY UNDERWRITING AN OFFERING OF TMA SHARES (APPROXIMATELY LL 25 MILLION) ON LONDON STOCK MARKET, TO FURTHER INCREASE AIRLINE'S NET WORTH, TO GENERATE ADDITIONAL CASH FOR FLEET EXPANSION REQUIREMENTS, AND TO PRESERVE VIABLE DEBT-EQUITY RATIO

TO MEET LOAN REQUIREMENTS FOR ANY MAJOR WIDEBODIED AIRCRAFT  
ACQUISITION FINANCING PROGRAM.

5. TMA'S FIRST FIVE MONTHS OPERATING RESULTS, ACCORDING  
ABU-HAIDAR, AND HIS VICE-PRESIDENT, PLANNING, GEORGE YACOB,  
SHOWS A NET PROFIT OF LL 8.6 MILLION AND AN APPROXIMATE FIRST  
SIX MONTHS NET PROFIT OF LL 10 MILLION. IN VIEW OF SUB-  
STANTIALLY INCREASED TRAFFIC SEASONALLY DURING THE LAST  
SIX MONTHS OF EACH OF TMA'S FINANCIAL YEARS, TMA FORECASTS  
A 1973 BOTTOM-LINE NET PROFIT OF LL 22 TO 24 MILLION AS COMPARED  
TO 1972 BOTTOM-LINE PROFIT OF LL 12.96 MILLION AND AS  
COMPARED TO AN EARLIER MARCH FORECAST (SEE REFTTEL 0878,  
PARAGRAPH 1) OF LL 17 MILLION.  
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